

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2001-758

January 22, 2003

Donna Morton et al., Request for
Waiver of the Basic Service Calling
Area Rule, Chapter 204: To
Expand The Local Calling Area of
Maine Telephone Company's
Casco Exchange

ORDER APPROVING
COMPLIANCE PLAN BY
VERIZON-MAINE

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

On September 12, 2002, the PUC granted, in part, the request by various customers of Maine and Standish Telephone Companies for expansion of the Basic Service Calling Area for the Casco, Raymond, Naples (Maine Telephone), Sebago (Standish Telephone), and Bridgton (Verizon) exchanges.¹ The Order required Maine Telephone Company, Standish Telephone Company (collectively referred to as "UI"), and Verizon-Maine (Verizon) to file proposed rates.

Verizon provided proposed rates and other information on November 2, 2002, after requesting and receiving an extension. Staff has reviewed the proposal, the data and supporting documentation, and believes that it contains a reasonable resolution of the issues involved in addressing the various ways in which the Order could be implemented, at least on a temporary basis. Any change to the Bridgton BSCA is necessarily temporary, because, in the near future, it will also be necessary to implement the addition of all contiguous exchanges pursuant to a requirement contained in Chapter 204, amended effective December 16, 2002.

Verizon's proposal for the Bridgton exchange includes (1) the rate effects of moving from rate group C to rate group D; (2) a surcharge of \$1.21 per line per month to recover lost toll revenue from calls from the Bridgton exchange to the UI exchanges and access revenues in both directions; and (3) the recovery of lost toll revenues for calls from customers in one UI exchange to those in another UI exchange who use Verizon as their toll carrier. The net effect of the rate group change and the surcharge (the first two categories) would be increases of \$1.62 (\$0.41 + \$1.21) for residential customers and \$1.55 (\$0.34 + \$1.21) per month for business customers.² The Company has proposed that, until

¹ The exchanges that are included, on a flat-rate basis, in the Economy and Premium Options are listed in Attachment A of the September 12, 2002, Commission Order Granting the waiver in this case. A revised version showing current calling areas and options and those ordered in this case is attached to this order as Attachment A.

² Current monthly rates for Verizon's Bridgton customers: Residential \$17.00, Business \$36.57.

contiguous exchanges are added, the Bridgton exchange will continue to have only a Premium option. For the reasons stated below, we find this is an appropriate decision. We also find that the proposed rates to recover the first two categories of revenue loss are appropriate until further adjustments at the time that contiguous exchanges are added.

We cannot find at this time that recovery of the third category (lost Verizon revenues within UI exchanges) is appropriate. The amount of toll loss is equal to \$0.28 a month for each Bridgton exchange customers, although Verizon actually proposed to bill this amount to the UI companies because the reduction in toll revenues occurs due to the elimination of toll calling for Verizon toll customers who are located in UI exchanges. See discussion below.

A. Temporary Continuation of Premium Option Only for the Bridgton Exchange

Verizon proposes that Bridgton's BSCA temporarily continue to have only a Premium option. Verizon states that it would institute an Economy option during the implementation, later this year, of the BSCA rule revisions requiring the addition of all contiguous exchanges. Bridgton's current BSCA includes only the Bridgton and Harrison exchanges; the only current option is Premium. Under Verizon's proposal, the present BSCA (Bridgton and Harrison) ultimately will become the Economy option, but only at the time that all contiguous exchanges are added to the Premium option. In the meantime, Bridgton will continue to have only a Premium option, which will include the whole of the BSCA (Bridgton, Harrison, plus the exchanges added as a result of the Order in this case).

The Bridgton exchange faces two sets of changes over the next few months. The first is the changes required by the Order in this case: the addition to the Bridgton BSCA of the Naples, Sebago, Casco and Raymond exchanges. (The first two of these exchanges are contiguous; the second two are not.) The second set of changes is the addition of all the remaining contiguous exchanges, required pursuant to the definition of BSCA in Section 2(A) of the Rule. Those additional contiguous exchanges are Denmark, Fryeburg and Lovell.

Section 3(A)(2)(a) of the Rule states as a "General Rule" that when new exchanges are added to a BSCA, such as Bridgton's, that has only a Premium Option, the new exchanges should be included in the flat-rate area of the Premium option and "the previous Premium option will become the flat-rated unlimited calling area of the Economy option." Thus, to avoid creating an Economy option (consisting of Bridgton and Harrison) at this time, Verizon requires a waiver from this provision of the Rule.

Verizon has proposed, after both sets of changes are implemented, that the exchanges presently included in the Bridgton BSCA (Bridgton and Harrison) will constitute the flat-rate portion of the Economy option and that all other exchanges, whether they are added now (pursuant to the order in this case) and subsequently (pursuant to the contiguous-exchange requirement of the Rule), will be available on a flat-rate basis only under the Premium option.

Verizon must implement an Economy option for the Bridgton exchange at some time (either in this case or when contiguous exchanges are added). Verizon's proposal means that all Bridgton customers (some of whom may prefer to keep their present flat-rate calling area) will be required to expand their flat-rate calling to include four more exchanges for a period of up to a year, then, when an Economy option is finally offered, be given a choice to revert to the original flat-rate calling area.

Verizon has two related reasons for this approach. First, the total calling volumes from Bridgton to the exchanges added pursuant to this case are quite low, but there is a small minority of customers who make a large number of calls. Thus, Verizon is concerned that a large number of customers would opt for the Economy option, and the rate for the Premium option would need to be very high. Verizon believes that it is preferable, in the Bridgton exchange, to wait until the statewide addition of contiguous exchanges to implement an Economy option in the Bridgton exchange. At that time, Verizon will be proposing statewide Premium and Economy rates. The statewide differential between Premium and Economy rates is likely to be much smaller than would be the differential for the Bridgton exchange if it were to implement an Economy option now. Verizon is also concerned that if it underestimates the revenue loss effect in Bridgton, it will be necessary to make up that amount, either from Bridgton customers or from ratepayers statewide; in either event, it would probably be necessary to implement a temporary surcharge, which adds complexity to billing both for Verizon and for customers.

Although we do not necessarily agree with Verizon's premise regarding call volumes, and Verizon's plan does have the significant drawback that many customers will have to have a larger flat-rate calling area than they might prefer for a few months, on balance we find Verizon's arguments persuasive. We believe that the temporary nature of the proposal, the modest difference in rates, and minimizing customer confusion outweighs our concerns. Accordingly, we approve the plan and grant a waiver from Chapter 204, § 3(A)(2)(a), which otherwise would require Verizon to implement an Economy option at this time that would include a flat-rate calling area consisting of the Bridgton and Harrison exchanges.

B. Composition of the Economy Flat-Rate Calling Area

Staff has raised a concern about the extent of the flat-rate calling area within the Economy option, and has requested that Verizon consider a possible modification when it implements an Economy option at the time that contiguous exchanges are added. Verizon has proposed that the flat-rate calling area of the Economy option consist of the Bridgton and Harrison exchanges, i.e., the two exchanges that presently comprise the BSCA. Based on the geography and transportation routes in the area, Staff has suggested that Bridgton's community of interest with Naples may equal or exceed that with Harrison. Both exchanges are contiguous to Bridgton; the business center of Harrison is about 4 miles and the Naples business center is about 8 miles from downtown Bridgton; there are good, direct roads from Bridgton to both Harrison and Naples; Route 302, from Bridgton to Naples, however, is one of the major arteries in the State. Finally, Naples and Bridgton are part of the same School Administrative District (SAD 61). Harrison is in a different SAD (17).

The inclusion of Harrison, but not Naples, in the flat-rate calling area of the Economy option may appear somewhat arbitrary. The present inclusion of Harrison, but not Naples, in the Bridgton BSCA is probably more a result of history than community of interest. Historically, there have been more intra-company than inter-company BSCA routes. Verizon serves both Bridgton and Harrison; Naples has always been served by an ITC. We therefore require Verizon to provide a report, within three months of this Order, that addresses the nature (and differences, if any) between the two communities of interest. The report shall include calling volume data from Bridgton to Naples and the calling volume to the other exchanges that are added pursuant to this case and that will be added when all contiguous exchanges are added.³

C. Recovery of Lost Toll for Calls From One UI Exchange to Another

We decide that Verizon should not, at this time, include in any rates the lost toll revenues for calls from customers in one UI exchange to those in another UI exchange who use Verizon as their toll carrier. The implementation of an ITC-to-ITC BSCA route and recovery of such revenues are without precedent. In effect, Verizon would either have to impose a surcharge on its own customers in Bridgton (for lost revenue caused by customers located in Standish and Maine Telephone service areas); impose a surcharge directly on the ITC customers; or impose a surcharge on those customers' LECs, which would then pass it on to the affected customers.

The issues raised by Verizon's request will also be present, on a far greater scale, when contiguous exchanges are added statewide. We believe that these issues should be addressed at that time. Accordingly, we will not approve this part of Verizon's proposal. In the meantime, Verizon may maintain a separate tracking account for this revenue.

D. Duration of Bridgton Exchange Rates Ordered in This Case

As noted above, Verizon has proposed that the surcharge for Bridgton ordered in this case should be authorized only until the implementation of the statewide addition of contiguous exchanges. At that time, Verizon will implement the statewide Premium and Economy rates applicable to the rate group for Bridgton (or, if rate groups are eliminated, the statewide rates applicable to all exchanges). We agree with Verizon's proposal.

E. Rate Schedules

Verizon shall file rate schedules containing the rates described in this Order within 30 days of the date of this Order. The rate schedules shall contain the earliest feasible effective date, after consultation with Standish and Maine Telephone Companies.

³ Because Harrison is already part of the Bridgton BSCA, it will not be possible to compare Bridgton-Harrison and Bridgton-Naples calling volume data.

Dated at Augusta, Maine, this 22nd day of January, 2003.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.

1. Current BSCA

Home Exchange	Economy Calling Option	Premium Calling Option
Casco	Casco, Naples, Poland, Raymond	Casco, Naples, Poland, Raymond
Raymond	Raymond, Casco, Naples, Poland, Gray, West Gray	Raymond, Casco, Naples, Poland, Gray, West Gray
Poland	Poland, Casco, Lewiston, Raymond	Poland, Casco, Lewiston, Raymond, Naples
Naples	Naples, Casco, Poland, Raymond	Naples, Casco, Poland, Raymond
Sebago	Sebago	Sebago, plus OCP 30 miles
Bridgton	Bridgton, Harrison	Bridgton, Harrison
Harrison	Harrison, Bridgton, Norway	Harrison, Bridgton, Norway

2. Granted BSCA Changes (Changes from current BSCA are underlined)

Home Exchange	Economy Calling Option	Premium Calling Option
Casco	Casco, Naples, Poland, Raymond	Casco, Naples, Poland, Raymond, <u>Sebago, Bridgton</u>
Raymond	Raymond, Casco, Naples, Poland, Gray, West Gray	Raymond, Casco, Naples, Poland, Gray, West Gray, <u>Sebago, Bridgton</u>
Poland	Poland, Casco, Lewiston, Raymond	Poland, Casco, Lewiston, Raymond, Naples (<u>No exchanges added</u>)
Naples	Naples, Casco, Poland, Raymond	Naples, Casco, Poland, Raymond, <u>Sebago, Bridgton</u>
Sebago	Sebago	Sebago, <u>Naples, Casco, Raymond, Bridgton</u> plus OCP 30 miles
Bridgton	<u>Bridgton, Harrison</u>	Bridgton, Harrison <u>Naples, Casco, Raymond, Sebago</u>
Harrison	Harrison, Bridgton, Norway	Harrison, Bridgton, Norway (<u>No exchanges added, to be addressed by BSCA Rule</u>)